Metropolitan Bank Limited

ACCOUNTS FOR THE QUARTER ENDED
MARCH 31, 2006

(UN-AUDITED)
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REGISTERED OFFICE AND HEAD OFFICE

Ground Floor, Spencer’s Building, G.P.O. Box 1289, I.I. Chundrigar Road, Karachi-74200, Pakistan
Phones : (021) 263 6740 (20 Lines) Fax : (021) 263 0494 - 5
UAN : (021) 111-18-18-18

14th Floor, Saima Trade Towers ‘A’, I.I. Chundrigar Road, Karachi-74200, Pakistan
Phones : (021) 227 1935 (14 Lines) Fax : (021) 227 1950

Telex : 20246 BNKMN PK, 20281 BNKMN PK
Cable : METROBANK
SWIFT : MPBLPKKA
URL : www.metrobank.com.pk
E-mail : info@metrobank.com.pk

BRANCHES

Karachi:
Main Branch:
Ground Floor, Spencer’s Building, G.P.O. Box 1289, Karachi.
Phones : (021) 263 6740 (20 Lines)
UAN : (021) 111-18-18-18
Fax : (021) 263 0494

Branches:
- Saddar: SB-4/4, Zaibunnisa Street, Saddar, Karachi.
  Phones : (021) 521 6433
- M. A. Jinnah Road:
  Corner Abdullah Haroon Road, Karachi.
  Phones : (021) 273 7617 (4 Lines)
- Cloth Market:
  BR 1/43, Metro Centre, Bombay Bazar, Kharadar, P.O. Box 6453, Karachi.
  Phones: (021) 263 6740 (20 Lines)
  Fax : (021) 263 0494
- North Nazimabad:
  Sindh Brdal Shopping Centre, BS-6, Block-A, F.B. Area, Karachi.
  Phones : (021) 634 5236 (2 Lines)
- Gulshan-e-Iqbal:
  Sohni Bridal Shopping Centre, BS-6, Block-4, F.B. Area, Karachi.
  Phones : (021) 634 5236 (2 Lines)
- SITE:
  Phones : (021) 256 4101 (3 Lines)
- DHA:
  Phones : (021) 585 7404 (3 Lines)
- Korangi:
  Ahwaan-e-Sanad Building, Sector 23, Korangi Industrial Area, Karachi.
  Phones : (021) 506 9162 (3 Lines)
- Jodia Bazar:
  Madarassah Islamia School Building, Adamjee Haj Dawood Road, Jodia Bazar, Karachi.
  Phones : (021) 243 7187, 241 1905, (021) 243 7909, 243 8157
  Fax : (021) 243 0056
  Telex : 27723 MBP JB PK
  SWIFT : MPBLPKKA015
- Saddar:
  SB-4/4, Zaibunnisa Street, Saddar, Karachi.
  Phones : (021) 521 6308 (2 Lines)
  Fax : (021) 521 6434
- Bahadurabad:
  25, Central Commercial Area, Main Alangi Road, Bahadurabad, Karachi.
  Phones : (021) 494 8805 (3 Lines)
  Fax : (021) 494 8803
- Ittehad:
  Phones : (021) 589 7623 (2 Lines)
  Fax : (021) 538 2110
- Hyderi:
  Phones : (021) 664 0774 (3 Lines)
  Fax : (021) 664 0777
- Dhoraji Colony:
  Main Polo, Block 7 & 8, C.P. Berar, C.H.S., Dhoraji Colony, Karachi.
  Phones : (021) 494 9535 - 44 - 64
  Fax : (021) 494 9962
- North Karachi Industrial Area:
  ST-5, Gabol Town, Federal B Area, Karachi.
  Phones : (021) 695 7569
  Fax : (021) 693 3461 (3 Lines)
- Gulshan Chowrangi:
  FL 4/S, Zaibunnisa Street, Saddar, Karachi.
  Phones : (021) 521 6308 (2 Lines)
  Fax : (021) 521 6434
- Khalid Bin Walid:
  Khalid Bin Walid Road, F/168/A, Madina Mall, Block-3, PECHS, Karachi.
  Phones : (021) 439 0191 (3 Lines)
  Fax : (021) 439 0190
BRANCHES

Karachi:
Ceramic Market:
Phones: (021) 660 0546 (3 Lines)
Fax: (021) 660 7462

Landhi:
15 Mestone, National Highway, Landhi, Karachi.
Phones: (021) 502 4901 (4 Lines)
Fax: (021) 502 5200

Danish Nager:
F-A, Block 1 A, Nazimabad No. 5, Karachi.
Phones: (021) 670 0001 (4 Lines)
Fax: (021) 670 0005

Textile Plaza:
Naheed Cloth Market, M.A. Jinnah Road, Karachi.
Phones: (021) 670 0001 (4 Lines)
Fax: (021) 670 0005

Islamic Banking:
SB-4/4, 2nd Floor, Zaibunnisa Street, Saddar, Karachi.
Phones: (021) 565 0711 (4 Lines)
Fax: (021) 565 0650

Water Pump:
57, Nawaz Court, Block-16, Federal "B" Area, Karachi.
Phones: (021) 681 2577 (2 Lines)
Fax: (021) 633 4557

Shershah:
Phones: (021) 258 6301 (3 Lines)
Fax: (021) 258 6305

University Road:
Opp. NED University, No. 101, Sindh, Karachi.
Phones: (021) 258 6301 (3 Lines)
Fax: (021) 258 6305

Clifton:
GFC-2, Bl 5 KDA Scheme No. 5, Clifton, Karachi.
Phones: (021) 587 9734 (3 Lines)
Fax: (021) 587 9738

Lahore:
Lahore:
Associated House, T.Egerton Road, Lahore.
Phones: (042) 627 9062 (4 Lines)
Fax: (042) 627 9061

Small Industrial Estate:
27-29 A, Small Industrial Estate, Sialkot.
Phones: (052) 325 4720, 325 4799
Fax: (052) 325 4738

Lahore:
Guilberg:
85-D, 1 Main Boulevard, Gulberg-III, G.P.O. Box No. 5660, Lahore.
Phones: (042) 587 2091 (4 Lines)
Fax: (042) 575 4480

Circular Road:
83 Circular Road, Lahore.
Phones: (042) 767 2634 (5 Lines)
Fax: (042) 767 2631

Defence:
9-2, Defence Housing Authority, Lahore.
Phones: (042) 589 4162 (3 Lines)
Fax: (042) 589 3878

Badami Bagh:
38-R-359, Circular Road, Lahore.
Phones: (042) 772 3471
Fax: (042) 773 1413 (3 Lines)

Model Town Link Road:
207-B, Bl A, Model Town Link Road, Lahore.
Phones: (042) 520 3657
Fax: (042) 520 3658

Peshawar:
95-A, Saddar Road, Peshawar.
Phones: (091) 727 0004 (3 Lines)
Fax: (091) 275 784, 275 709

Quetta:
Shahrah-e-Iqbal, G.P.O. Box 185, Quetta.
Phones: (081) 835 302, 835 308
Fax: (081) 824 209

Cable: BANKMETRO

Muzaffar A.K.:
Ejaz Plaza, Allama Iqbal Road, Muzaffar, Azad Kashmir.
Phones: (055610) 43435, 48039-40
Fax: (055610) 4677

Kasur:
Railway Road, Kasur.
Phones: (0492) 925 0053, 764906
Fax: (0492) 763331

Rawalpindi:
1962, Bank Road, Rawalpindi Cantt.
Phones: (051) 511 0178 - 18
Fax: (051) 579 4376

Hyderabad:
F-66, Risala Road, P.O. Box No. 182, Hyderabad.
Phones: (0221) 789393, 784087
UAN: (0221) 111-18-18-18
Fax: (0221) 789394
Telex: 22093 BNKMN PK

Multan:
85-A, Qasim Road, P.O. Box No. 108, Multan Cantt.
Phones: (061) 583515 (3 Lines)
Fax: (061) 835 7019

Lahore:
Gulberg:
85-D, 1 Main Boulevard, Gulberg-III, G.P.O. Box No. 5660, Lahore.
Phones: (042) 587 2091 (4 Lines)
Fax: (042) 575 5151, 575 5252

Circular Road:
83 Circular Road, Lahore.
Phones: (042) 767 2634 (5 Lines)
Fax: (042) 767 2631

Defence:
9-2, Defence Housing Authority, Lahore.
Phones: (042) 589 4162 (3 Lines)
Fax: (042) 589 3878

Badami Bagh:
38-R-359, Circular Road, Lahore.
Phones: (042) 772 3471
Fax: (042) 773 1413 (3 Lines)

Model Town Link Road:
207-B, Bl A, Model Town Link Road, Lahore.
Phones: (042) 520 3657
Fax: (042) 520 3658

Peshawar:
95-A, Saddar Road, Peshawar.
Phones: (091) 270 004 (3 Lines)
Fax: (091) 275 784, 275 709

Quetta:
Shahrah-e-Iqbal, G.P.O. Box 185, Quetta.
Phones: (081) 835 302, 835 308
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Fax: (0492) 763331

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Phones: (051) 511 0178 - 18
Fax: (051) 579 4376

BOARD OF DIRECTORS

Chairman
Anwar H. Japanwala

President & Chief Executive
Kassim Parekh

Directors
Bashir Ali Mohammad
Mohamedali R. Habib *
Firasat Ali
A. R. Wadiwala
Salim A. Zubairi
Zia Shafi Khan

* Executive Director

Audit Committee
Anwar H. Japanwala Chairman
Mohamedali R. Habib
A. R. Wadiwala

Company Secretary
Fuzail Abbas

Share Registrar
Noble Computer Services (Private) Limited
2nd Floor, Sohni Centre, BS 5 & 6,
Main Karimabad, Block-4, Federal B Area,
Karachi-75950.
DIRECTORS’ REVIEW

On behalf of the Board of Directors of Metropolitan Bank Limited, I am pleased to present the unaudited accounts for the quarter ended March 31, 2006.

Allhamdulillah, MetroBank now in its 15th year is making steady progress. During the period under review, the deposits and advances portfolio of your Bank maintained a rising trend. The deposits at March 31, 2006 stood at Rs. 58,154 million against Rs. 56,713 million as of December 31, 2005. The advances portfolio has also been increased to Rs. 47,013 million on March 31, 2006 against Rs. 43,463 million as of December 31, 2005. The profit before tax for the quarter comes to Rs. 537 million compared to Rs. 392 million over the corresponding period last year. Earnings per share for the quarter ended March 31, 2006 works out to Rs. 1.70 per shares.

All areas of operations show satisfactory progress while our recently introduced and conservatively positioned consumer-financing products continue to gain significance. We feel that there is a great potential for consumer financing in Pakistan and expect that our portfolio will augment the Bank’s income stream.

The Bank has received a proposal from Habib Bank AG Zurich for merger of their Pakistan Operations with and into Metropolitan Bank. In order to assess and evaluate the proposal, due diligence of Habib Bank AG Zurich Pakistan Operations is being carried out after receiving approval from the State Bank of Pakistan. Other commercial, legal & regulatory matters are under review and, when finalized will be subject to approval of the Board of Directors and the shareholders of the Bank.

We wish to place on record our sincere thanks to the Ministry of Finance, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for extending their support and continued guidance. We take this opportunity to also thank our valued customers for their confidence and support and also to all our staff members for their sincere efforts.

On Behalf of the Board

Kassim Parekh
President & Chief Executive

Karachi: April 17, 2006
## BALANCE SHEET

**AS AT MARCH 31, 2006**

<table>
<thead>
<tr>
<th>Note</th>
<th>March 31, 2006 (Un-audited)</th>
<th>December 31, 2005 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with treasury banks</td>
<td>4,541,521</td>
<td>5,145,677</td>
</tr>
<tr>
<td>Balances with other banks</td>
<td>827,287</td>
<td>1,118,240</td>
</tr>
<tr>
<td>Lendings to financial institutions</td>
<td>7,364,675</td>
<td>5,462,582</td>
</tr>
<tr>
<td>Investments 5</td>
<td>25,901,424</td>
<td>22,809,126</td>
</tr>
<tr>
<td>Advances 6</td>
<td>47,012,631</td>
<td>43,463,256</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,418,519</td>
<td>1,246,095</td>
</tr>
<tr>
<td>Operating fixed assets</td>
<td>408,495</td>
<td>418,922</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>87,474,552</strong></td>
<td><strong>79,665,898</strong></td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills payable</td>
<td>1,408,865</td>
<td>1,046,050</td>
</tr>
<tr>
<td>Borrowings from financial institutions</td>
<td>19,940,236</td>
<td>14,429,178</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>58,153,644</td>
<td>56,712,820</td>
</tr>
<tr>
<td>Sub-ordinated loans</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,602,248</td>
<td>1,333,691</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>410,156</td>
<td>484,994</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>81,515,149</strong></td>
<td><strong>74,006,733</strong></td>
</tr>
<tr>
<td>NET ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>5,959,403</strong></td>
<td><strong>5,659,165</strong></td>
<td></td>
</tr>
<tr>
<td>REPRESENTED BY:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>2,080,000</td>
<td>1,560,000</td>
</tr>
<tr>
<td>Reserves</td>
<td>2,654,951</td>
<td>3,374,951</td>
</tr>
<tr>
<td>Un-appropriated profit</td>
<td>451,482</td>
<td>98,569</td>
</tr>
<tr>
<td><strong>5,386,433</strong></td>
<td><strong>5,033,520</strong></td>
<td></td>
</tr>
<tr>
<td>Surplus on revaluation of assets</td>
<td>572,970</td>
<td>625,645</td>
</tr>
<tr>
<td><strong>5,959,403</strong></td>
<td><strong>5,659,165</strong></td>
<td></td>
</tr>
</tbody>
</table>

**CONTINGENCIES AND COMMITMENTS**

The annexed notes 1 to 11 form an integral part of these accounts.
# Profit and Loss Account (Un-audited)

## For the Quarter Ended March 31, 2006

<table>
<thead>
<tr>
<th></th>
<th>For the Quarter March 31, 2006</th>
<th>For the Quarter March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees</td>
</tr>
<tr>
<td>----------------------</td>
<td>--------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td><strong>Mark-up/return/interest earned</strong></td>
<td>1,479,687</td>
<td>862,429</td>
</tr>
<tr>
<td><strong>Mark-up/return/interest expensed</strong></td>
<td>(931,527)</td>
<td>(399,192)</td>
</tr>
<tr>
<td>Net mark-up/interest income</td>
<td>548,160</td>
<td>463,237</td>
</tr>
<tr>
<td>Provision against non-performing loans and advances</td>
<td>59,359</td>
<td>33,841</td>
</tr>
<tr>
<td>Provision for diminution in the value of investments</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Bad debts written off directly</td>
<td>–</td>
<td>25</td>
</tr>
<tr>
<td>Net mark-up/interest income after provisions</td>
<td>(59,359)</td>
<td>(33,866)</td>
</tr>
<tr>
<td><strong>Non mark-up/interest income</strong></td>
<td>488,801</td>
<td>429,371</td>
</tr>
<tr>
<td>Fee, commission and brokerage income</td>
<td>119,349</td>
<td>93,714</td>
</tr>
<tr>
<td>Dividend income</td>
<td>8,865</td>
<td>93</td>
</tr>
<tr>
<td>Gain from sale on securities</td>
<td>44,556</td>
<td>43,316</td>
</tr>
<tr>
<td>Income from dealing in foreign currencies</td>
<td>126,427</td>
<td>38,968</td>
</tr>
<tr>
<td>Other income</td>
<td>17,105</td>
<td>14,222</td>
</tr>
<tr>
<td>Total non mark-up/interest income</td>
<td>316,302</td>
<td>190,313</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>268,502</td>
<td>227,295</td>
</tr>
<tr>
<td>Other provisions/write offs</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other charges</td>
<td>42</td>
<td>40</td>
</tr>
<tr>
<td>Total non mark-up/interest expenses</td>
<td>(268,544)</td>
<td>(227,335)</td>
</tr>
<tr>
<td>Extra ordinary/unusual items</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>536,559</td>
<td>392,349</td>
</tr>
<tr>
<td>Taxation - current</td>
<td>186,000</td>
<td>159,000</td>
</tr>
<tr>
<td>- prior years</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>- deferred</td>
<td>(2,354)</td>
<td>(5,218)</td>
</tr>
<tr>
<td><strong>Profit after taxation</strong></td>
<td>352,913</td>
<td>238,567</td>
</tr>
<tr>
<td>Unappropriated profit brought forward</td>
<td>98,569</td>
<td>46,261</td>
</tr>
<tr>
<td>Profit available for appropriation</td>
<td>451,482</td>
<td>284,828</td>
</tr>
<tr>
<td><strong>Basic and diluted earnings per share</strong></td>
<td>1.70</td>
<td>1.15</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 11 form an integral part of these accounts.

---

ANWAR H. JAPANWALA  
Chairman

KASSIM PAREKH  
President & Chief Executive

FIRASAT ALI  
Director

ZIA SHAFI KHAN  
Director
### CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2006

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOW FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>536,559</td>
<td>392,349</td>
</tr>
<tr>
<td>Less: Dividend income</td>
<td>(8,865)</td>
<td>(93)</td>
</tr>
<tr>
<td>Adjustment for non-cash charges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>10,733</td>
<td>9,654</td>
</tr>
<tr>
<td>Provision against non-performing advances - net</td>
<td>59,359</td>
<td>33,841</td>
</tr>
<tr>
<td>(Gain) on sale of fixed assets</td>
<td>(309)</td>
<td>(212)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>69,763</td>
<td>43,283</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>597,477</td>
<td>435,539</td>
</tr>
</tbody>
</table>

|                                | 2006      | 2005      |
|                                | Rupees in '000 |          |
| **CASH FLOW FROM INVESTING ACTIVITIES** |           |           |
| Net investments in available-for-sale securities | (3,196,586) | (382,955) |
| Net investments in held-to-maturity securities | (20,873)  | (1,562,241) |
| Dividend income                | 8,865     | 93        |
| Investments in operating fixed assets | (328)     | (108)     |
| Sale proceeds of property and equipment disposed-off | 333       | 225       |
| **Net cash flow from investing activities** | (3,205,589) | (1,944,986) |

|                                | 2006      | 2005      |
|                                | Rupees in '000 |          |
| **CASH FLOW FROM FINANCING ACTIVITIES** |           |           |
| Dividend paid                  | –         | –         |
| **Decrease in cash and cash equivalents** | (895,109) | (467,807) |
| Cash and cash equivalent at beginning of the period | 6,263,917 | 7,007,577 |
| Cash and cash equivalent at end of the period | 5,368,808 | 6,539,770 |

The annexed notes 1 to 11 form an integral part of these accounts.

ANWAR H. JAPANWALA  
Chairman

KASSIM PAREKH  
President & Chief Executive

FIRASAT ALI  
Director

ZIA SHAFI KHAN  
Director
### STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

**FOR THE QUARTER ENDED MARCH 31, 2006**

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Statutory reserve</th>
<th>Special reserve</th>
<th>Revenue reserve</th>
<th>Reserve for issue of bonus shares</th>
<th>Un-appropriated profit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at January 1, 2005</strong></td>
<td>1,200,000</td>
<td>821,590</td>
<td>240,361</td>
<td>900,000</td>
<td>360,000</td>
<td>238,567</td>
</tr>
<tr>
<td>Issue of bonus shares</td>
<td>360,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit after tax for the quarter</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>238,567</td>
</tr>
<tr>
<td><strong>Balance as on March 31, 2005</strong></td>
<td>1,560,000</td>
<td>821,590</td>
<td>240,361</td>
<td>900,000</td>
<td>-</td>
<td>284,828</td>
</tr>
<tr>
<td>Balance as at January 1, 2006</td>
<td>1,560,000</td>
<td>1,114,590</td>
<td>240,361</td>
<td>1,500,000</td>
<td>520,000</td>
<td>98,569</td>
</tr>
<tr>
<td>Issue of bonus shares</td>
<td>520,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit after tax for the quarter</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>352,913</td>
</tr>
<tr>
<td><strong>Balance as on March 31, 2006</strong></td>
<td>2,080,000</td>
<td>1,114,590</td>
<td>240,361</td>
<td>1,500,000</td>
<td>-</td>
<td>451,482</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 11 form an integral part of these accounts.

---

**ANWAR H. JAPANWALA**  
Chairman

**KASSIM PAREKH**  
President & Chief Executive

**FIRASAT ALI**  
Director

**ZIA SHAFI KHAN**  
Director
NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2006

1. STATUS AND PRINCIPAL ACTIVITIES:
Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on August 3, 1992 as a public limited company, under the Companies Ordinance, 1984 and commenced its banking operations from October 21, 1992. Its shares are quoted on all the stock exchanges in Pakistan.

Metropolitan Bank Limited is a fully accredited scheduled commercial bank, operating under supervision of the State Bank of Pakistan.

The objects for which the bank is established are to carry on the business of “Banking Companies” as defined by the Banking Companies Ordinance, 1962. It operates 51 (December 31, 2005: 51) branches including an Islamic Banking Branch in Pakistan.

The Bank has received a proposal from Habib Bank AG Zurich for merger of their Pakistan Operations with and into Metropolitan Bank. In order to assess and evaluate the proposal, due diligence of Habib Bank AG Zurich Pakistan Operations is being carried out after receiving approval from the State Bank of Pakistan besides other commercial, legal & regulatory matters which are under review.

2. STATEMENT OF COMPLIANCE
2.1 These financial statements have been prepared in accordance with the directives issued by the State Bank of Pakistan, the requirements of Banking Companies Ordinance, 1962, Companies Ordinance, 1984 and accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by standing interpretations committee of the IASC, as adopted and applicable in Pakistan.

2.2 These financial statements are un-audited and are being presented in condensed form in accordance with the requirements of International Accounting Standard 34: “Interim Financial Reporting” and BSD Circular Letter No. 02 dated May 12, 2004 of State Bank of Pakistan.

2.3 The application of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property have been deferred by the State Bank of Pakistan vide BSD Circular Letter No. 10 dated August 26, 2002, and accordingly the requirement of these standards have not been considered in the preparation of these accounts.

3. SIGNIFICANT ACCOUNTING POLICIES
Accounting policies and methods of computation adopted in preparation of the quarterly accounts are same as those applied in the preparation of the most recent annual financial statements of the Bank.

<table>
<thead>
<tr>
<th>March 31, 2006</th>
<th>December 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>------- Rupees in '000 -------</td>
<td></td>
</tr>
</tbody>
</table>

4. KEY FINANCIAL FIGURES OF THE ISLAMIC BANKING BRANCH

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2006</th>
<th>December 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islamic banking fund</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Deposits</td>
<td>399,883</td>
<td>289,868</td>
</tr>
<tr>
<td>Borrowing from Head Office</td>
<td>71,503</td>
<td>95,487</td>
</tr>
<tr>
<td>Ijarah financing</td>
<td>228,956</td>
<td>244,497</td>
</tr>
<tr>
<td>Murabaha financing</td>
<td>170,927</td>
<td>161,080</td>
</tr>
<tr>
<td>Investment in Sukuk Bonds</td>
<td>25,000</td>
<td>–</td>
</tr>
<tr>
<td>Profit before taxation for the period</td>
<td>3,750</td>
<td>8,152</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>122,033</td>
<td>83,862</td>
</tr>
</tbody>
</table>
5. INVESTMENTS

### 5.1 Investment by Types

#### Available-for-sale securities

<table>
<thead>
<tr>
<th></th>
<th>Held by Rupees in '000</th>
<th>Given as Rupees in '000</th>
<th>Total Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Treasury Bills</td>
<td>3,338,349</td>
<td>5,744,863</td>
<td>9,083,212</td>
</tr>
<tr>
<td>Pakistan Investment Bonds</td>
<td>4,676,359</td>
<td>2,800,000</td>
<td>7,476,359</td>
</tr>
<tr>
<td>Term Finance Certificates</td>
<td>1,413,822</td>
<td>1,413,822</td>
<td>2,827,644</td>
</tr>
<tr>
<td>WAPDA Bonds</td>
<td>200,000</td>
<td>200,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Sukuk Bonds</td>
<td>25,000</td>
<td>25,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Ordinary shares of listed companies</td>
<td>368,245</td>
<td>368,245</td>
<td>736,490</td>
</tr>
<tr>
<td>Ordinary shares of un-listed companies</td>
<td>80,759</td>
<td>80,759</td>
<td>161,518</td>
</tr>
<tr>
<td>Preference Shares</td>
<td>65,000</td>
<td>65,000</td>
<td>130,000</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>1,525,890</td>
<td>1,525,890</td>
<td>3,051,780</td>
</tr>
<tr>
<td>National Prize Bonds</td>
<td>3,881</td>
<td>3,881</td>
<td>7,762</td>
</tr>
<tr>
<td>Society for Worldwide Interbank Financial Telecommunication (SWIFT)</td>
<td>1,740</td>
<td>1,740</td>
<td>3,480</td>
</tr>
</tbody>
</table>

#### Held-to-maturity securities

<table>
<thead>
<tr>
<th></th>
<th>Held by Rupees in '000</th>
<th>Given as Rupees in '000</th>
<th>Total Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Treasury Bills</td>
<td>2,536,073</td>
<td>2,536,073</td>
<td>5,072,146</td>
</tr>
<tr>
<td>Federal Investment Bonds</td>
<td>77,277</td>
<td>77,277</td>
<td>154,554</td>
</tr>
<tr>
<td>Pakistan Investment Bonds</td>
<td>154,154</td>
<td>154,154</td>
<td>308,308</td>
</tr>
<tr>
<td>Certificates of Investments</td>
<td>2,490,000</td>
<td>2,490,000</td>
<td>4,980,000</td>
</tr>
</tbody>
</table>

### March 31, 2006

17,356,561 8,544,863 25,901,424

### December 31, 2005

18,050,508 4,758,618 22,809,126

6. ADVANCES

#### Loans, cash credits, running finances, etc.

- In Pakistan 36,874,567 34,196,964

#### Net investment in finance lease

- In Pakistan 948,909 845,695

#### Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan 3,004,664 2,498,225
- Payable outside Pakistan 6,764,289 6,442,811

- Provision for non-performing advances - Note 6.2 47,012,631 43,463,256

#### Provision for non-performing advances - Note 6.2

<table>
<thead>
<tr>
<th>Category of classification</th>
<th>Provision Required</th>
<th>Provision Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Overseas Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substandard</td>
<td>110,666</td>
<td></td>
</tr>
<tr>
<td>Doubtful</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss</td>
<td>110,666</td>
<td></td>
</tr>
</tbody>
</table>

#### Provision for non-performing advances - Note 6.2

<table>
<thead>
<tr>
<th>Category of classification</th>
<th>Provision Required</th>
<th>Provision Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Overseas Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substandard</td>
<td>110,666</td>
<td></td>
</tr>
<tr>
<td>Doubtful</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss</td>
<td>110,666</td>
<td></td>
</tr>
</tbody>
</table>
6.2 The provision for non-performing advances includes provision made against consumer portfolio in accordance with prudential regulations issued by State Bank of Pakistan at 1.50% of fully secured and at 5% of the unsecured consumer portfolios.

7. OPERATING FIXED ASSETS
Following is the cost of tangible fixed assets that have been added/disposed during the period ended March 31, 2006.

<table>
<thead>
<tr>
<th>Additions</th>
<th>Deletions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building on leasehold land</td>
<td>–</td>
</tr>
<tr>
<td>Furniture, fixtures, office and computer equipments</td>
<td>214</td>
</tr>
<tr>
<td>Vehicles</td>
<td>114</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>328</strong></td>
</tr>
</tbody>
</table>

March 31, December 31, 2006, 2005

8. CONTINGENCIES AND COMMITMENTS

8.1 Direct credit substitutes - Others 18,137 18,137

8.2 Transaction-related contingent liabilities

| | Government 1,847,387 2,294,488 | Financial institutions 4,866 1,523 | Others 1,692,211 916,099 |
| | **3,544,464** 3,212,110 |

8.3 Trade-related contingent liabilities

| | Letter of credit 14,794,366 14,965,681 | Acceptances 8,384,902 8,464,254 |

8.4 Commitments in respect of forward lending

| | Forward repurchase agreement lending 300,000 – |

8.5 Commitments in respect of forward exchange contracts

| | Purchase 9,500,533 6,394,818 | Sale 12,098,895 9,678,156 |

8.6 Commitments in respect of operating leases

| | Not later than one year 70,936 74,048 |
| | Later than one year and not later than five years 53,423 63,709 |
| | **124,359** 137,757 |

8.7 Commitments for the acquisition of operating fixed assets – –
9. RELATED PARTY TRANSACTIONS
Transactions with related parties comprise of transactions with companies with common
directorship, staff retirement benefit funds and key management personnel. The pricing
policy in respect of these transactions is based on an arm’s length basis using the comparable
uncontrolled price method.

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2006</th>
<th>December 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associates &amp; other related parties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>1,457,178</td>
<td>2,522,343</td>
</tr>
<tr>
<td>Advances</td>
<td>21,330</td>
<td>69,759</td>
</tr>
<tr>
<td>Trade-related contingent liabilities</td>
<td>423,706</td>
<td>279,658</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Management Personnel</th>
<th>March 31, 2006</th>
<th>March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>8,254</td>
<td>10,447</td>
</tr>
<tr>
<td>Advances</td>
<td>794</td>
<td>908</td>
</tr>
</tbody>
</table>

10. DATE OF AUTHORISATION FOR ISSUE
These financial statements were authorised for issue on April 17, 2006 by the Board of
Directors of the Bank.

11. GENERAL
11.1 These accounts are being submitted to the shareholders as required under Section
245 of the Companies Ordinance, 1984.
11.2 The figures have been rounded off to nearest thousand rupees.
11.3 Corresponding figures have been rearranged, where necessary to facilitate
comparison.